

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 STR-04 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 /070 W

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R 141610Z MAY 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 6758

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

UNCLAS GUATE ALA 2506

FROM ROCAP

E.O. 11652: N/A

SUBJECT: AMENDMENT OF TRA TO PROVIDE SPECIAL INCENTIVES FOR REGIONAL
INTERGRATION (PARTICULARLY CACM)

REF: GUATEMALA 1913

1. SUMMARY: SIECA ASKS IF AMENDMENT TO TRA OFFERING EFFECTIVE ENCOURAGEMENT TO REGIONAL INTEGRATION IS UNDER CONSIDERATION BY USG. ADOPTION OF AN APPROPRIATE AMENDMENT OF THIS NATURE WOULD, IF EFFECTIVE, CREATE LINKAGES FURTHERING LONG-STANDING U.S. POLICY OF SUPPORT TO CA INTEGRATION, WITHOUT NEED OF ANY NEW APPROPRIATION OF PROGRAM. END SUMMARY.

2. SIECA OFFICIALS, NOTING RECENT NEWS STORIES AND OTHER SPECULATION THAT THE ADMINISTRATION PLANS TO SUBMIT CERTAIN AMENDMENTS TO THE TRADE ACT, HAVE ENQUIRED ABOUT THE POSSIBILITY OF AN AMENDMENT THAT MIGHT TEND TO STRENGTHEN REGIONAL INTERGRATION, PARTICULARLY IN CENTRAL AMERICA.

THE SIECA OFFICIALS ALSO MENTIONED REPORTS THEY HAD RECEIVED FROM OFFICIALS IN WASHINGTON THAT THE ADMINISTRATION
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MIGHT FIND A WAY TO "INTERPRET" THE TRA IN SUCH A WAY AS TO

ELIMINATE THE PROSPECTIVE EXCLUSION OF ECUADOR AND VENEZUELA FROM THE U.S. GSP, WITHOUT NEED OF AN AMENDMENT.

3. WE SAID WE WERE AWARE OF THE CONSIDERATION BEING GIVEN TO PROPOSING AN AMENDMENT WHICH WOULD OVERCOME THE EXCLUSION OF ECUADOR AND VENEZUELA, AND THAT WE UNDERSTOOD SOME CONSIDERATION MIGHT BE GIVEN TO A FEW OTHER AMENDMENT POSSIBILITIES THAT COULD PROVE DESIRABLE, BUT THAT ENTIRE AMENDMENT PROCESS WAS TORTUOUS AND DIFFICULT, AND EXTENSIVE AMENDMENTS UNLIKELY. WE SAID WE WERE NOT AWARE OF ANY SPECIFIC ADMINISTRATION INTENT TO PROPOSE AN AMENDMENT WHICH WOULD STRENGTHEN INTEGRATION INCENTIVES, OR OF ANY POSSIBILITY THAT ADMINISTRATION COULD INTERPRET SOME SECTION OF THE LAW SO AS TO OVERCOME THE PROSPECTIVE EXCLUSION OF ECUADOR AND VENEZUELA WITHOUT AN AMENDMENT.

4. ACTION REQUESTED: ROCAP WOULD APPRECIATE INFORMATION ON STATE OF PLAY WITH REGARD TO THE TWO MATTERS RAISED, IN ORDER TO KEEP SIECA CURRENTLY INFORMED.

5. COMMENT: THE USG HAS SPENT SEVERAL MILLION DOLLARS OVER THE LAST DECADE IN PROGRAMS CARRIED OUT THROUGH CENTRAL AMERICAN REGIONAL INSTITUTIONS (INCLUDING ODECA, CABEL, SIECA, ICAITI, INCAP, ETC). ONE OF THE PRIMARY PURPOSES OF THESE PROGRAMS HAS BEEN TO SUPPORT THE EFFORTS OF THE CENTRAL AMERICANS TO ACHIEVE A GREATER DEGREE OF REGIONAL INTEGRATION. ROCAP SHARES THE VIEW WHICH HAS BEEN EXPRESSED BY SEVERAL CA REGIONAL AND SOME CA NATIONAL OFFICIALS THAT GSP INCENTIVES COULD BE EXPECTED TO LEAD TO REGIONAL LINKAGES SIGNIFICANTLY CONDUCTIVE TO GREATER CA COOPERATION AND INTEGRATION. IF THIS WERE SO, AND THE APPROPRIATE INCENTIVES WERE DEFINED AND IMPLEMENTED, AND IF THEY PROVED EFFECTIVE, THEN THE U.S. POLICY OF SUPPORTING CENTRAL AMERICAN EFFORTS TO INTEGRATE WOULD BE FURTHERED WITHOUT, IN THIS INSTANCE, THE BUDGETING AND APPROPRIATION OF AID DOLLARS. THAT IS, THE RESULTANT REGIONAL FINANCIAL, INDUSTRIAL AND COMMERCIAL LINKAGES WOULD ADVANCE THE INTEGRATION PROCESS WITHOUT MOUNTING A CUMBERSOME "PROGRAM".

6. NOTE: THE CHANGES IN THE TRA MOST FREQUENTLY MENTIONED BY CENTRAL AMERICANS HOPEFUL OF STRENGTHENED INCENTIVES FOR REGIONAL INTEGRATION ARE: (A) A REDUCTION (TO 35 PER CENT) UNCLASSIFIED

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OF THE 50 PERCENT CUMULATIVE VALUE ADDED REQUIREMENT PLACED ON REGIONAL GROUPS OF LDC'S, AND (B) A SUBSTANTIAL LIFTING OF THE \$25 MILLION PER PRODUCT VALUE LIMITATION IN ITS APPLICATION TO GROUPS OF LDC'S ELECTING TO BE TREATED AS A REGIONAL GROUP. TRAGEN.
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